

JOSEPH ONEBANE (1917-1987)  
JOHN G. TORIAN, II (1936-1991)

JAMES E. DIAZ  
TIMOTHY J. McNAMARA  
EDWARD C. ABELL, JR.  
LAWRENCE L. LEWIS, III†  
ROBERT M. MAHONY  
DANIEL G. FOURNERAT  
DOUGLAS W. TRUXILLO\*  
RANDALL C. SONGY  
MICHAEL G. DURAND  
GREG GUIDRY\*  
JOSEPH L. LEMOINE, JR.††  
MARK L. RILEY  
GRAHAM N. SMITH\*  
GORDON T. WHITMAN  
GARY P. KRAUS  
RICHARD J. PETRE, JR.  
THOMAS G. SMART  
ROGER E. ISHEE\*\*  
JOHN W. PENNY, JR.  
JENNIFER M. KLEINPETER  
STEVEN C. LANZA  
JOEL P. BABINEAUX  
TED M. ANTHONY††  
CAROLYN T. BERTRAND  
ALISON M. BRUMLEY\*

ONEBANE, BERNARD, TORIAN, DIAZ,  
McNAMARA & ABELL  
A PROFESSIONAL LAW CORPORATION  
SUITE 600 VERSAILLES CENTRE  
102 VERSAILLES BOULEVARD  
P. O. BOX 3507  
LAFAYETTE, LOUISIANA 70502-3507  
FAX: (318) 266-1232  
CABLE: ONDOB  
TDD: (318) 266-1217  
TELEPHONE: (318) 237-2660

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JESSE D. LAMBERT††\*  
CHARLES M. GORDON, JR.  
BRENT G. SONNIER\*\*\*  
JOHN D. BROUILLETTE  
ELISE MAYERS BOUCHNER\*\*\*\*  
CARY B. BRYSON  
CLIFTON M. DUGAS, II  
MARIA F. MANUEL  
GREG R. MIER  
JENNIFER SMITH LEE  
JANICE M. CHURCH\*\*\*\*\*  
C. SHANNON HARDY  
NANNETTE V. JOLIVETTE  
ROBERT S. HINYUB, JR.  
N. CRAIG RICHARDSON

OF COUNSEL  
WILLIAM E. KELLNER  
J. MARK PEIRCE

†BOARD CERTIFIED TAX ATTORNEY  
LL.M. IN TAXATION  
††REGISTERED PATENT ATTORNEY

\*ALSO ADMITTED IN TEXAS  
\*\*ALSO ADMITTED IN MISSISSIPPI  
\*\*\*ALSO ADMITTED IN OKLAHOMA  
\*\*\*\*ALSO ADMITTED IN CONNECTICUT  
\*\*\*\*\*ALSO ADMITTED IN COLORADO

United States Department of Interior  
Minerals Management Service  
Mail Stop 4700, 381 Elden Street  
Herndon, Virginia 20170-4817

ATTN: Rules Processing Team

Re: Comments to OPA 90 Proposed OSFR Rule Amendment  
per the Louisiana Independent Oil and Gas Association

To the Service:

Please find enclosed herewith for your consideration the comments of the Louisiana Independent Oil and Gas Association in regard to the captioned rule proposal, with an attachment summarizing pertinent survey data. As counsel for LIOGA, we request that these comments be made part of the record in this matter now pending before the MMS. Please advise as to any questions you may have with regard to this submission at the captioned address, or by phone directly at (318) 266-1140.

With kindest regards, we remain

Very truly yours,

*Brent G. Sonnier*

DANIEL G. FOURNERAT  
BRENT G. SONNIER

cc: Mr. Don Briggs (w/enclosures)

**COMMENTS OF THE LOUISIANA INDEPENDENT OIL AND GAS ASSOCIATION  
REGARDING  
MINERALS MANAGEMENT SERVICE PROPOSED RULE**

**"OIL SPILL FINANCIAL RESPONSIBILITY FOR OFFSHORE FACILITIES"  
TO AMEND RULES PROMULGATED PER THE OIL POLLUTION ACT OF 1990**

The Louisiana Independent Oil and Gas Association ["LIOGA"], as the trade association representing the majority of the Louisiana's independent oil and gas exploration and production companies, respectfully submits the following comments regarding the proposed captioned rule, 62 Fed. Reg. 14052, *et seq.* (Mar. 25, 1997). As many LIOGA members are relatively small companies with limited resources, the Association has a significant interest in the substantial economic impact that the proposed rule poses for independent offshore operators. While LIOGA has reviewed and endorses the comments put before the MMS by the Independent Petroleum Association of America ["IPAA"] and the American Petroleum Institute ["API"], LIOGA would like to emphasize per the following comments certain areas of special concern to the Association.

**1. FINANCIAL IMPACT ON A LARGE NUMBER OF SMALL BUSINESS COMPANIES**

As referenced in the comments submitted by API, LIOGA undertook a survey of its members to determine the number of "small businesses" (500 or less employees) in the Association and in what number these businesses would be affected by the proposed rule's requirements of enhanced oil spill financial responsibility ["OSFR"]. The survey attached to these comments indicates the following:

- Seventy-five (75) members responding to the survey are small businesses with 500 or fewer employees;

- Thirty-six (36) of those small businesses have "covered offshore facilities" ["COFs"] situated in the coastal areas that will be affected by the proposed rule;
- Sixteen (16) of these small businesses will not be able to meet the \$10 million OSFR requirements with self-insurance, guarantees or surety bonds;
- Twenty-three (23) of the small businesses are not presently required to satisfy the \$35 million OSFR under existing regulations.

Though MMS determined that only twelve (12) such businesses would be affected, and only three (3) companies do not currently provide \$35 million in OSFR, LIOGA's survey shows that those figures substantially underestimate the true number of small business members that will be affected by the proposed rule. And with sixteen of those businesses without a reasonable alternative for meeting the enhanced OSFR requirements, that rule will have a real adverse economic impact on these companies.

## **2. ANTICIPATED EFFECTS ON SMALL BUSINESS OIL AND GAS OPERATORS**

With regard to the Small Business Regulatory Enforcement Fairness Act, the Regulatory Flexibility Act, and Executive Order 12866, LIOGA will not restate the reasoned arguments of API, but offers the following observations:

- Regulation does not operate in a vacuum. Small businesses are subject to the requirements of the Occupational Safety and Health Act (OSHA), the various other state and federal environmental acts, and other state and federal regulatory laws. Every additional regulatory burden makes it more difficult for the small operator to maintain personnel on the payroll and to continue to explore for and produce oil and gas in the face of global competition.

- U.S. independent oil and gas operators account for the great majority of domestic production, and through innovative technology and the expertise of personnel, tend to replace production with new reserves. Undue regulation hinders these efforts, causing increasing demand for imported crude. In recent times, tanker traffic has proven to be the frequent source of oil spills rather than technologically advanced domestic offshore producers. Decreased domestic oil and gas activity due to regulatory burdens only adds to that traffic load.
- With further regard to recent history, the large oil spill from domestic offshore platforms has been a rarity, largely due to the ever improving technology employed in the U.S. petroleum industry. While other regulations affecting the petroleum industry often do address specific, tangible areas such as employee safety, LIOGA notes that the OSFR requirements are directed at perceived risk rather than at remedying an immediate critical need. The MMS should endeavor to take a realistic assessment of the actual risk of spills posed by oil and gas operations in the state waters and the OCS in formulating the proposed rule.
- The economic reality of oil and gas prospecting is that it is a risk-based, cost-sensitive endeavor, creating competition among the prospects considered. Capital requirements and expected overhead play a key role in the ranking of prospects to which the limited exploration dollars of independent operators will be directed. LIOGA anticipates that the additional financial burden to be imposed by the proposed rule will cause a lesser portion of exploration budgets to be spent in state and federal waters in favor of non-OPA 90 affected drilling ventures. This does not bode well for the federal treasury or those of

the affected states, or for the work forces in those states. It also places offshore-oriented independents at a disadvantage, with thinner margins on product sales at the same pricing, but bearing more financial burden than the return on investment for inland operators. Further, offshore operations are more technically difficult and costly than land-based exploration and production activity.

Much more could be said of the foreseeable adverse consequences for the independent operator if the proposed rule is not reasonably tailored to achieve its objectives. In view of the anticipated far-reaching effects on operators large and small, LIOGA urges the MMS to carefully consider the comments which have been offered by the IPAA and API, other interested parties, and those herein. The MMS has a record of effective management and commitment to the Nation's best interest in its critical position of oversight of federal energy resources. While LIOGA members share the Service's concern for the coastal environment, such concern should not override the legitimate interest in this Nation's energy independence.

Respectfully submitted by

The Louisiana Independent Oil and Gas Association

Mr. Don Briggs, President

**LIOGA SURVEY/QUESTIONNAIRE  
PROPOSED MMS OIL SPILL FINANCIAL  
RESPONSIBILITY REGULATIONS  
62 FEDERAL REGISTER 14052**

1. Does your company employ 500 or fewer people?

Response:

2. Does your company have any oil and gas E&P facilities in coastal bays, estuaries or wetland with a worst-case oil-spill discharge volume in excess of one thousand barrels (as calculated by the approved method)? In other words do you have any "covered offshore facilities" in the coastal area?

Response:

3. Will you be able to satisfy the \$10 million oil-spill financial responsibility requirement using self-insurance, guarantees or surety bonds?

Response:

4. Is your company currently required to satisfy the \$35 million in oil spill financial responsibility under existing regulations?

Response:

**PLEASE FAX YOUR RESPONSE TO LIOGA - 504-388-9561**

# LIOGA Survey / Questionnaire

## Proposed MMS Oil Spill Financial Responsibility Regulations

Company Name	Questions							
	1		2		3		4	
	Yes	No	Yes	No	Yes	No	Yes	No
AVIVA PETROLEUM		X	X		X		X	
ARROWHEAD EXPLORATION	X		X			X		X
STONE ENERGY	X		X		X		X	
TRIGON EXPLORATION, INC	X		X			X		X
THE MEDIATION CENTER	X		X			X		X
GENESIS CURDE OIL, L. P.	X		X			X	X	
LAUREL OPERATING CO.	X		X		X			X
CALLON PETROLEUM CO.	X		X		X		X	
CALLON PETROLEUM OPERATING COMPANY	X		X		X		X	
CALLON OFFSHORE PRODUCTION, INC.	X		X		X		X	
WM PLASTER GEOLOGIST		X		X		X		X
KINSEY INTERESTS	X		X		X			X
HUNT PETROLEUM	X		X		X		X	
NORTH CENTRAL OIL CORP	X			X	X		X	
JUSTISS OIL COMPANY	X			X		X		X
POLARIS ENTERPRISES	X			X		X		X
JOLEN OPERATING CO	X			X		X		X
STOKES & SPIEHLER	X			X		X		X
AMERICAN EXPLORATION	X			X	X		X	
PETROL INDUSTRIES	X			X		X		X
MEASON OPERATING CO		X		X				
FALCO S & D	X		X			X		X
CXY OPERATIONS/MCRAE	X			X	X		X	
ENERGY MANAGEMENT CORPORATION	X		X			X		X
KEY EXPLORATION	X			X		X		X
BARR & MITCHELL	X			X		X		X
TDC ENERGY NOLA	X		X		X		X	
HLP ENGINEERING, INC.	X			X		X		X
LEGACY RESOURCES		X		X	X			X

LINDER OIL COMPANY	X		X			X		X
BRETON SOUND RESOURCES L.L.C.	X		X			X		X
FITZGERALD PRODUCTION COMPANY	X			X		X		X
BOIS D'ARC OPERATING	X		X		X		X	
EL-OIL, LTD.	X			X		X		X
M & R EXPLORATION	X			X		X		X
JOSEPH FRANKLIN	X			X		X		X
SAFEGUARD DISPOSAL SYSTEMS, INC.	X			X		X		X
NEWPARK DRILLING FLUIDS	X			X	X			X
ELAND ENERGY	X			X	X			X
SCANA PETROLEUM RESOURCES, INC.	X			X	X		X	
AMERICAN BIOTECHNOLOGIES	X			X		X		X
ESI BATON ROUGE	X			X		X		X
CENTRAL CRUDE/LA TANK	X		X			X		X
CARUTHERS PRODUCING COMPANY	X			X		X		X
TEEL COG	X		X			X		X
DEVON ENERGY	X		X		X			X
CITADEL RESOURCES, INC.	X			X	X			X
FAIRFIELD INDUSTRIES	X			X		X		X
MAP DRILLING COMPANY	X		X			X		X
KEMP-SHREVEPORT	X		X			X		X
MARLIN EXPLORATION	X			X		X		X
BADGER OIL	X		X		X			X
WESTCHESTER GAS	X			X		X		X
MARK J. PETROLEUM CO.	X			X		X		X
ARBOL RESOURCES, INC.	X			X		X		X
PETROLEUM PRODUCTION MANAGEMENT, INC.	X			X		X		X
WHELESS INDUSTRIES, INC.	X		X		X			X
PETRO VENTURES	X		X			X	X	
RESOURCE SECURITIES CORPORATION	X		X			X		X
SOUTH OAK PRODUCTION COMPANY	X			X		X		X
FOUR SQUARE GAS COMPANY, INC.	X			X		X		X
HS RESOURCES, INC.	X			X	X			X



FORCENERGY INC FLORIDA	X		X		X		X	
FORCENERGY INC N. O.	X			X	X		X	
BRISTOL RESOURCES	X		X			X		X
BRUMLEY PRODUCTION	X			X		X		X
JAMES KYLE VOZZELLA	X			X		X		X
UNIVERSAL SEISMIC	X		X			X		X
US LIQUIDS OF LA	X			X		X		X
BASIN EXPLORATION INC.	X		X			X		X
OCEAN ENERGY INC.	X		X		X		X	
CARROLLTON RESOURCES CORPORATION		X	X			X		X
CMI	X			X		X		X
LL & E		X	X		X		X	
TEXAS MERIDIAN	X		X		X			X
TOTAL MINATOME	X		X		X		X	
APACHE CORPORATION		X	X		X		X	
GREENHILL PETROLEUM		X	X		X		X	
MERLIN OIL & GAS, INC.	X		X		X			X
SONNY KING PRODUCTION	X			X		X		X
LLOG EXPLORATION CO.	X		X		X		X	
PETRO-GUARD CO., INC.	X		X			X		X
MI DRILLING FLUIDS	X			X		X		X
	75	8	41	42	32	50	22	60